

Message Text

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ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 NSC-10 SS-15 STR-08

CEA-02 DODE-00 PA-03 USIA-12 PRS-01 L-03 IGA-02 H-02

INT-08 TAR-02 RSR-01 /174 W
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FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 2541

UNCLAS BUENOS AIRES 4397

E. O. 11652: N/ A

TAGS: EGEN, AR

SUBJECT: ECONOMIC LAWS SENT CONGRESS

REF: BA-4246; BA-4247

TWENTY ECONOMIC LAWS HAVE BEEN SENT TO CONGRESS ACCORDING TO
MINISTER OF FINANCE GELBARD, WHO HELD PRESS CONFERENCE ON JUNE 18.
FOLLOWING ARE MEASURES AS REPORTED BY PRESS.

1. FOREIGN INVESTMENT LAW. IN FUTURE, EACH INVESTMENT TO BE
COVERED BY CONTRACT SETTING OUT RIGHTS AND OBLIGATIONS OF EACH
PARTY; WHEN MAJORITY OF CAPITAL IS FOREIGN- OWNED, CONTRACT MUST
BE APPROVED BY CONGRESS. LAW SAID TO ESTABLISH TREATMENT OF
FOREIGN CAPITAL SIMILAR TO THAT OF ANDEAN GROUP INVESTMENT CODE.
ESTABLISHES MAXIMUM REMITTANCES OF 12.5 PERCENT OF REGISTERED
CAPITAL PER YEAR. CONTEMPLATES GRADUAL INCORPORATION OF NATIONAL
CAPITAL IN
FOREIGN FIRMS. FIRMS WHICH BECOME DENATIONALIZED IN
PROCESS OF TRANSFORMATION UNDER GOA PROGRAM OF NATIONAL RECON-
STRUCTION MUST REVERT TO ARGENTINE CAPITAL WITHIN THREE YEARS.
FOREIGN DEBTS OF FOREIGN FIRMS WILL BE CONTROLLED, TO PROTECT
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BALANCE OF PAYMENTS. TO BE CONSIDERED NATIONAL COMPANY, 80
PERCENT OF CAPITAL MUST BE ARGENTINE.

2. AND 3. GRAIN AND MEAT TRADE. TWO BILLS WOULD EXPAND FUNCTIONS

OF GRAIN AND MEAT BOARDS TO PERMIT THEM TO OPERATE IN LOCAL AND FOREIGN TRADE. EXECUTIVE BRANCH WILL DETERMINE PRODUCTS TO BE RESERVED EXCLUSIVELY TO THIS FORM OF TRADE. PRODUCTS OF GREATEST IMPACT IN MARKET QUOTE SUCH AS WHEAT AND CORN UNQUOTE WILL BE TRADED EXCLUSIVELY THROUGH GRAIN BOARD AND PRODUCERS' COOPERATIVES. MEAT BOARD, NOT NOW EQUIPPED FOR COMMERCIAL OPERATIONS, WILL BE EMPOWERED TO DO SO, AND MAY ESTABLISH STATE ENTERPRISES OR PRODUCERS' COOPERATIVES. GRAIN AND MEAT BOARDS WILL BE EXPANDED TO INCLUDE REPS OF CGE AND CGT.

4. AGRICULTURAL DEVELOPMENT. BILL PROVIDES CREDIT AND TAX BENEFITS FOR PURCHASE OF LAND BY RENTERS, GRADUATES OF AGRICULTURAL AND VETERINARY FACULTIES WHO WISH TO FARM DIRECTLY.

5. CORPORATION OF NATIONAL ENTERPRISES. THIS CORPORATION IS TO SUPERVISE STATE ENTERPRISES, CENTRALIZE THEIR PLANS AND CONTROL THEIR ADMINISTRATION. WILL NOT ASSUME POLITICAL DIRECTION, WHICH REMAINS WITH MINISTRIES CONCERNED. ENTITIES COVERED INCLUDE STATE ENTERPRISES, CORPORATIONS OF WHICH STATE IS MAJORITY STOCKHOLDER, STATE INTERESTS IN PRIVATE ENTERPRISE THROUGH SHARES OWNED BY DEVELOPMENT BANK, SAVINGS BANKS, OR OTHER OFFICIAL AGENCIES, AND COMPANIES ADMINISTERED BY STATE UNDER PROVISIONS OF BANKRUPTCY LAWS.

6. INDUSTRIAL PROMOTION. BENEFITS OF INDUSTRIAL PROMOTION REGIME TO BE CONTROLLED BY CONTRACT WHENEVER GOVERNMENT DETERMINES BENEFITS OTHER THAN ECONOMIC PROFITABILITY WARRANT INDUSTRIAL EXPANSION. BENEFITS MAY BE GRANTED ONLY WITH CONCURRENCE OF CGE. OBJECTIVES WILL INCLUDE INCREASING ARGENTINE DECISION- MAKING POWER IN INDUSTRIAL SECTORS. (TO THIS END, BENEFITS LIMITED TO NATIONAL COMPANIES.), DEVELOPING TECHNOLOGY, PROMOTING SMALL AND MEDIUM FIRMS, AND GEOGRAPHIC DECENTRALIZATION.

7. SUSPENSION OF RURAL EVICTIONS. COURT CASES FOR EVICTION OF RENTERS WILL BE SUSPENDED UNTIL DECEMBER 31, 1974, EXCEPT THOSE FOR ABANDONMENT, IRRATIONAL EXPLOITATION AND NON- FULFILLMENT OF CONTRACTUAL OBLIGATIONS. BY THIS DATE, CONGRESS EXPECTED TO UNCLASSIFIED

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DEBATE NEW AGRICULTURAL RENTAL LAW.

8. REPRESENTATIVES OF FOREIGN FIRMS ARE TO BE REGISTERED, THIS REGISTRATION TO BE REQUIRED BEFORE FOREIGN FIRMS MAY DO BUSINESS HERE.

9. AND 10. TAX PENALTIES. PRIOR TO ESTABLISHING CRIMINAL SENTENCES FOR TAX FRAUD, MORATORIUM ON CHARGES AND PENALTIES TO FACILITATE REGULARIZATION OF TAX PAYMENTS WILL BE GRANTED. PENAL LAW WILL PROVIDE FOR PRISON TERMS FOR TAX EVASION, WITH LENIENCY FOR FIRST OFFENDERS.

11. MINING PROMOTION. LAW 19,938 WILL BE MODIFIED TO ENCOURAGE

EXCLUSIVELY ARGENTINE MINING ACTIVITIES AND QUOTE ECONOMIC INDEPENDENCE UNQUOTE.

12. CORPORATION FOR DEVELOPMENT OF SMALL AND MEDIUM INDUSTRY WILL BE ESTABLISHED. WILL DEVELOP TECHNOLOGY SUITABLE FOR SUCH FIRMS, FACILITATE COMPLEMENTATION, VERTICAL AND HORIZONTAL INTEGRATION, AND TRADE IN THEIR PRODUCTS AND SERVICES. CORPORATION WILL INCLUDE EFFECTIVE PARTICIPATION OF CGE AND CGT.

13. TAX THE POTENTIAL OUTPUT OF LAND. WILL BE EFFECTED IN THREE STAGES: BY DECEMBER 31 OF THIS YEAR, BY INCREASE ON CURRENT TAX ON AGRICULTURAL LANDS; AFTER JANUARY 1, BY EMERGENCY TAX ON UNIMPROVED LANDS UP TO 4 PERCENT OF VALUE DECLARED BY TAXPAYER, WITH PROVISION FOR POSSIBLE EXPROPRIATION AT DECLARED VALUE; FINAL STATE AFTER CADASTRAL SURVEY COMPLETED, TAX ON VALUE OF POTENTIAL OUTPUT PROPERLY SPEAKING.

14. REGIONALIZATION OF BANK DIRECTORATES. TO DECENTRALIZE MANAGEMENT OF BANK OF THE NATION AND DEVELOPMENT BANK. REGIONAL DIRECTORATES WILL BE GIVEN OWN FINANCIAL PORTFOLIOS TO ADMINISTER.

15. FORESTRIES LAW WILL STRENGTHEN ADMINISTRATION OF EXISTING LAW BY ESTABLISHMENT OF NATIONAL FORESTRY INSTITUTE AND PROVIDE FOR ACQUISITION NATIONAL FORESTS.

16. NATIONAL INSTITUTE OF SOCIAL HOUSING WILL BE ESTABLISHED TO ADMINISTER LOW- COST HOUSING FUNDS, POSSIBLY THROUGH OTHER EXISTING AGENCIES.

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17. LAND SUITABLE FOR AGRICULTURAL EXPLOITATION LAW WOULD FORCE RENTAL OF CURRENTLY UNUTILIZED LAND. WOULD ALSO DECLARE OF PUBLIC UTILITY AND SUBJECT TO EXPROPRIATION LANDS SUBJECT TO TAX ON UNIMPROVED LAND (SEE PARA 13).

18. DEFENSE OF LABOR AND NATIONAL PRODUCTION. LAW WOULD PROVIDE FOR CUSTOMS PROTECTION, INCLUDING DUTIES, OFFICIAL PRICES, AND QUOTAS, TO PROTECT ARGENTINE INDUSTRY AND EXPORTS. PRIMARILY AFFECTED WILL BE LUXURY AND QUOTE SUPERFLUOUS UNQUOTE GOODS, AND THOSE WHOSE MANUFACTURE IS OF QUOTE NATIONAL INTEREST UNQUOTE. ALL CURRENT LAWS PERMITTING FREE IMPORTS WILL BE REVOKED, AND GOODS COVERED WILL BE INCLUDED IN GENERAL REORGANIZATION OF TARIFF SCHEDULE, SINCE OTHERWISE THEY WOULD QUOTE PREVENT FORMATION OF NATIONAL CAPITAL GOODS INDUSTRY UNQUOTE. EXPORT TAXES MAY BE DECREASED IN ACCORDANCE WITH NEEDS OF DOMESTIC MARKET AND FISCAL REQUIREMENTS.

19. NATIONALIZATION AND GUARANTEE OF BANK DEPOSITS. ALL PESO DEPOSITS WILL BE NOMINALLY TRANSFERRED TO CENTRAL BANK, INCLUDING THOSE OF COMMERCIAL, MORTGAGE, SAVINGS, INVESTMENT, AND DEVELOPMENT BANKS, FINANCIAL INSTITUTIONS, CREDIT UNIONS, ETC, WHICH WILL OPERATE AS QUOTE MANDATORY REPRESENTATIVES UNQUOTE OF CENTRAL

BANK, AND WILL RECEIVE FEE FOR SERVICES DETERMINED BY CENTRAL BANK. LOAN OPERATIONS WILL BE MADE BY INSTITUTIONS BY MEANS OF ADVANCES AND REDISCOUNTS OF THEIR PORTFOLIOS WITH CENTRAL BANK UNDER RULES ESTABLISHED. CONDITIONS SET WILL TAKE INTO CONSIDERATION STATE OF MONEY MARKET, NATURE OF FINANCIAL INSTITUTION, GENERAL CREDIT POLICY OBJECTIVES, REGIONAL AND SECTORAL PRIORITIES, CONTRIBUTION OF INSTITUTION IN CAPTURING DEPOSITS, LIQUIDITY OF ENTITY AND VOLUME OF EXISTING GUARANTEES. FOR FOREIGN BANKS, PROPORTION THEY CONTRIBUTE TO FAVORING COMMERCIAL AND FINANCIAL RELATIONS ABROAD WILL ESPECIALLY BE TAKEN INTO ACCOUNT.

20. FINANCIAL INSTITUTIONS AND DENATIONALIZED BANKS. COMMERCIAL BANKS ARE PROHIBITED FROM OWNING SHARES IN OTHER FINANCIAL INSTITUTIONS OR INTERVENING IN THEIR ADMINISTRATION. CENTRAL BANK WILL WITHDRAW AUTHORIZATION FOR THOSE CURRENTLY SO RELATED, AND THE INSTITUTIONS ARE TO BE LIQUIDATED UNDER VIGILANCE OF CENTRAL BANK. BANKS QUOTE DENATIONALIZED UNQUOTE SINCE 1966 WILL BE DECLARED OF PUBLIC UTILITY AND SUBJECT TO EXPROPRIATION. GOVERN-
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MENT WILL ENSURE CONTINUED OPERATION (SEE SEPTTEL). AMOUNT OF INDEMNIZATION WILL NOT INCLUDE PAYMENT OF INTANGIBLES.

COMMENT: NOW THAT BILLS PRESUMABLY FORMALLY PRESENTED TO CONGRESS, EMBASSY HOPES TEXTS WILL SOON BE AVAILABLE (PROBABLY NOT BEFORE NEXT WEEK, HOWEVER, OWING TO HOLIDAYS AND PERON' S RETURN). (ONLY TEXT OF FOREIGN INVESTMENT LAW APPEARS TO HAVE BEEN PARTIALLY LEAKED.) WE WILL REPORT DETAILS AND REACTIONS AS AVAILABLE. IN PRESS CONFERENCE, GELBARD NOTED THIS WAS ONLY PART OF 135 ECONOMIC MEASURES GOA PLANS TO TAKE.
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